

Message Text

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FOR KATZ/EB FROM ENDERS

E.O. 11652: N/A

TAGS: OGEN

SUBJECT: DRAFT SPEECH ON COMMODITIES

THERE FOLLOWS REMAINDER OF TEXT. PLEASE CLEAR ENTIRE TEXT WITH PARSKY IF YOU THINK IT ADVISABLE. ALSO REVIEW PARTS ON WORLD BANK WITH GELBARD AND ANY TREASURY OR WORLD BANK SOURCES YOU THINK NECESSARY. WILL CALL AS SOON AS I ARRIVE IN STATES, BUT APPRECIATE HAVING YOUR COMMENTS AND SUGGESTIONS TO REACH ME BY START OF BUSINESS PARIS TIME TOMORROW JUNE 13.

3. THERE CAN BE NO SIMPLE OR SINGLE ANSWER TO THE PROBLEM OF RESOURCES. NOT ONLY DO THE CIRCUMSTANCES OF INDIVIDUAL COMMODITIES VARY ENORMOUSLY; NOT ONLY IS OUR KNOWLEDGE OF THEM IMPERFECT AND CHANGING, BUT THE PROBLEMS ARE CONSTANTLY CHANGING. EIGHTEEN MONTHS AGO RAW MATERIAL PRICES WERE AT THEIR PEAK. NOW THEY ARE DOWN, BUT SHOWING SOME UPWARD TREND. EIGHTEEN MONTHS AGO WE FEARED TO HAVE TO FACE A WORLD OF OPEC'S. CARIBBEAN BAUXITE PRODUCERS HAVE TAKEN ADVANTAGE OF THE DEPENDENCE OF U.S. ALUMINUM PRODUCERS ON THEM TO RAISE TAX TAKE XX TIMES (JEFF: GET FROM IFD); PHOSPHATE PRODUCERS HAVE TAKEN ALL THE MARKET COULD BEAR; AND THERE HAVE BEEN marginally successful efforts by producers of copper and mercury (JULES: ANY MORE?) TO STABILIZE PRICES.

YET IF CARTEL ACTION SO FAR IS UNIMPRESSIVE, COMMODITY

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ISSUES ARE VASTLY MORE POLITICIZED NOW THAN EVEN A YEAR

AND A HALF AGO.

WHAT WE NOW REQUIRE IS A PROCESS IN WHICH COMMODITY ISSUES CAN BE EXAMINED, DEBATED, DE-MYSTIFIED, NEGOTIATED. TO SUCCEED, THAT PROCESS MUST HAVE THESE CHARACTERISTICS:

- IT MUST ALLOW FOR THE FULL COMPLEXITY OF COMMODITY PROBLEMS AND COMMODITY INTERESTS TO BE EXPRESSED, EVEN THOUGH THEY FALL INTO NO EASY CATEGORIES, WHETHER ECONOMIC OR POLITICAL;
- AT THE OTHER EXTREME, IT MUST PERMIT THE POLITICAL UNITY OF THE DEVELOPING WORLD ON COMMODITIES TO BE EXPRESSED;
- IT MUST REFLECT THE URGENCY AND COMPASSION WHICH THE COMMODITY PROBLEMS OF MANY DEVELOPING COUNTRIES DEMAND, AND WHICH THE INDUSTRIAL COUNTRIES HAVE AGREED THEY SHOULD BE ACCORDED;
- IT MUST CONFORM TO THE REALITIES OF PRODUCTION AND INVESTMENT;
- IT MUST BE AS FREE AS WE CAN MAKE IT OF CONFRONTATION TACTICS, BLOC VOTING, LEVERAGE..

SECRETARY KISSINGER LAID OUT OUR PROPOSALS FOR THIS PROCESS IN SPEECHES IN KANSAS CITY AND PARIS LAST MONTH. WE BELIEVE THAT A COMPREHENSIVE APPROACH REQUIRES SEVEN ELEMENTS:

- ACTION TO INCREASE CAPITAL INVESTMENT IN RAW MATERIALS;
- ACTION TO REDUCE THE INSTABILITY OF COMMODITY MARKETS ON A CASE-BY-CASE BASIS;
- ACTION TO IMPROVE ACCESS TO COMMODITY MARKETS AND TO COMMODITY SUPPLIES;
- IMPROVED FACILITIES FOR THE STABILIZATION OF COMMODITY EARNINGS;
- COORDINATION OF CONSUMER POSITIONS;
- DEVELOPMENT OF A NEW PRODUCER/CONSUMER FORUM FOR CONSIDERING COMMODITY PROBLEMS;
- ACTION BY INDIVIDUAL OR SEVERAL CONSUMING COUNTRIES TO PROTECT AGAINST POTENTIAL CARTELS, BY CREATION OF ECONOMIC STOCKPILES.

LET ME ADDRESS EACH.

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4. FIRST, THE PROBLEM OF CAPITAL INVESTMENT. BASED ON HISTORICAL TRENDS -- IT IS ESTIMATED THAT WE HAVE CONSUMED MORE MINERALS IN THE LAST THIRTY YEARS THAN IN ALL PREVIOUS HISTORY COMBINED -- WE CAN EXPECT AN ENORMOUS INCREASE IN DEMAND IN THE YEARS AHEAD. YET, FOR SEVERAL REASONS, THERE IS UNCERTAINTY WHETHER OR NOT SUFFICIENT INVESTMENT WILL BE FORTHCOMING.

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-- INCREASING CAPACITY WILL REQUIRE SUMS OF MONEY MUCH LARGER THAN IN THE PAST. THE MINERALS INDUSTRY IS BECOMING MORE CAPITAL INTENSIVE, A FUNCTION OF THE DEPLETION OF THE MORE EASILY ACCESSIBLE DEPOSITS AND THE CONSEQUENT NEED TO EXPLOIT LOWER-GRADE ORES WHICH ARE MORE OFTEN IN MORE REMOTE AREAS AND CONSEQUENTLY INVOLVE THE EXPENSES OF MORE EQUIPMENT, INFRASTRUCTURE DEVELOPMENT, AND TRANSPORTATION.

-- THE TYPE OF FINANCING NECESSARY IN THE FUTURE WILL ALSO BE DIFFERENT FROM THE PAST AS MINERAL PROJECTS, HERETOFORE CAPITALIZED ALMOST ENTIRELY WITH THE EQUITY OF THE MULTINATIONAL COMPANY, NOW TURN HEAVILY TO DEBT FINANCE, A FUNCTION OF RISING COSTS, AND REDUCED CASH FLOW AND DECLINING PROFITABILITY OF THE MINERAL COMPANIES.

-- TRADITIONAL SOURCES OF FINANCING MAY NOT BE WILLING TO PROMOTE ALL THE NECESSARY FUTURE INVESTMENT, DUE LARGELY TO THE UNWILLINGNESS TO TAKE THE RISK INHERENT IN LARGER CAPITAL OUTLAYS, INCREASING DEBT STRUCTURE, AND, MOST IMPORTANT, INCREASING OWNERSHIP AND PROJECT MANAGEMENT BY FOREIGN GOVERNMENTS RELATIVELY INEXPERIENCED IN RESOURCE DEVELOPMENT. THE FINANCIAL RISK IS ALSO COMPOUNDED BY FEAR OF EXPROPRIATION, ENORMOUS START-UP COST OVERRUNS DUE IN PART TO INFLATION, AND HIGHLY VOLATILE PRICE FLUCTUATIONS.

FOR ALL OF THESE REASONS IT IS PRUDENT TO DEVELOP NEW
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SOURCES AND TECHNIQUES OF RESOURCE FINANCING. BECAUSE
OF ITS SCOPE AND FLEXIBILITY, SECRETARY KISSINGER SUG-
GESTED THAT THE WORLD BANK TAKE THE LEAD IN DOING SO.
ALONG WITH ITS ASSOCIATED INSTITUTIONS, THE INTERNATIONAL
FINANCE CORPORATION AND THE INTERNATIONAL DEVELOPMENT
ASSOCIATION, THE WORLD BANK CAN:

- PROVIDE ITSELF SIGNIFICANT EQUITY AND DEBT
CAPITAL;
- HELP MOBILIZE PRIVATE FINANCING BY PARALLEL
ARRANGEMENTS WITH COMMERCIAL BANKS;
- DIMINISH RISKS BY LINKING VARIOUS PARTS OF AN
INTERRELATED PROJECT BY CROSS-DEFAULT CLAUSES, SO THAT
THE BANK AND PRIVATE ENTERPRISE CAN TAKE SEPARATE
ELEMENTS WITHOUT FEAR THAT DEFAULT IN ONE PART WOULD
JEOPARDIZE THE WHOLE;
- ENCOURAGE MIXED ENTERPRISES IN WHICH THE HOST
GOVERNMENT HOLDS A MAJORITY EQUITY POSITION, THE BANK
PROVIDE THE DEBT, AND MANAGEMENT AND SALES ARE PROVIDED
BY OUTSIDE ENTERPRISE ON THE BASIS OF LONG-TERM CON-
TRACTS CROSS-LINKED TO THE FINANCING OBLIGATION.
- INVEST IN EXPLORATION.

MANY INNOVATIONS ARE POSSIBLE IN THIS FIELD. BUT, TO
SUCCEED, TWO THINGS ARE NEEDED.

THE BANK WILL HAVE TO INCREASE ITS LENDING SUB-
STANTIALLY. AT PRESENT, THE BANK CONTEMPLATES LENDING
SOME \$ XX TO RAW MATERIALS ENTERPRISES OVER THE NEXT
FIVE YEARS. A TOTAL SEVERAL TIMES THAT AMOUNT MAY BE
APPROPRIATE. THAT, IN TURN, WILL AFFECT THE LEVELS OF
REPLENISHMENT OF IBRD AND IFC RESOURCES.

THE BANK MUST MAINTAIN ITS SAFEGUARDS AGAINST
ATTEMPTS TO USE ITS FINANCING AVAILABILITIES AS BARGAIN-
ING COUNTERS AGAINST PRIVATE RESOURCE FIRMS. IT MUST
CONTINUE TO OPPOSE LENDING TO FINANCE BUY-OUTS, AS THIS
PROVIDES NO NEW INVESTMENT.

5. SECDND, THE PROBLEM OF INSTABILITY IN COMMODITY
MARKETS. HERE, OUR PRIMARY CONCERN MUST BE WITH THE
EFFICIENCY WITH WHICH THE MARKET PERFORMS, AND THE CON-
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SISTENCY WITH WHICH IT GIVES RELIABLE SIGNALS TO BOTH PRODUCERS AND CONSUMERS ABOUT UNDERLYING TRENDS IN DEMAND AND SUPPLY. A MARKET THAT REQUIRES ENORMOUS PRICE SWINGS TO ADJUST TO SMALL CHANGES IN DEMAND AND SUPPLY MAY NOT BE PERFORMING AS EFFECTIVELY AS IT COULD BE. USE OF A BUFFER STOCK MAY HELP IT TO ADJUST SUPPLY TO DEMAND IN MOST CASES WITH LESS EXTREME SWINGS. SIMILARLY A MARKET THAT PRODUCES ERRATIC PRICE MOVEMENTS MAY NOT BE A GOOD GUIDE FOR INVESTORS.

THE FOLLOWING REFLECTIONS SHOULD GUIDE OUR ACTION IN CONSIDERING COMMODITY ARRANGEMENTS.

-- MUCH CAN BE ACCOMPLISHED IN IMPROVING MARKET PERFORMANCE BY THE EXCHANGE OF INFORMATION AMONG PRODUCERS, CONSUMERS AND INVESTORS. THIS IS THE ROLE OF COMMODITY STUDY GROUPS, MOST OF WHICH INCLUDE BUSINESSMEN

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AS WELL AS GOVERNMENT OFFICIALS. THE UNITED STATES ALREADY TAKES PART IN MANY STUDY GROUPS; WHERE WE DO NOT, WE WILL JOIN AND PARTICIPATE ACTIVELY; WHERE SUCH GROUPS DO NOT EXIST (AS IN THE CASE OF COPPER), WE WILL SUGGEST THAT THEY BE CREATED.

-- IN SOME CASES, THERE ARE COMMODITY ARRANGEMENTS ALREADY IN EXISTENCE; WE WILL CONSIDER JOINING OR REJOINING THEM. THIS IS THE CASE IN TIN, AND THE UNITED STATES

IS FOR THE FIRST TIME PARTICIPATING IN THE RENEGOTIATION OF THE INTERNATIONAL TIN AGREEMENT. DECISION ON WHETHER OR NOT THE U.S. WILL JOIN THE AGREEMENT WILL DEPEND ON THE NEGOTIATED TERMS; THAT DECISION WILL BE MADE AFTER CONSULTATIONS WITH CONGRESS. COFFEE IS ANOTHER SUCH CASE AND THE UNITED STATES HAS PUT FORWARD A PROPOSAL FOR A NEW COFFEE AGREEMENT. OUR PROPOSAL IS BASED ON A FORMULA FOR DISTRIBUTING EXPORT QUOTAS IN A FLEXIBLE MANNER. THE PURPOSE OF OUR PROPOSAL IS TO REFLECT PRODUCTION AND DEMAND TRENDS REALISTICALLY, WHILE PROVIDING CONSUMERS WITH THE SAFEGUARD OF ADEQUATE STOCKS IN THEIR OWN COUNTRIES OF ALL THE MAJOR TYPES OF COFFEE IN CASE OF UNFORESEEN PRODUCTION SHORTFALLS.

-- IN OTHER CASES, WE WILL CONSIDER WHETHER OR NOT NEW COMMODITY ARRANGEMENTS ARE DESIRABLE. POSSIBLE CASES ARE NEW COCOA AND SUGAR AGREEMENTS. ANOTHER CASE REQUIRING ATTENTION IS COPPER. IT IS ONE OF THE TWO MOST IMPORTANT NON-FUEL MINERALS TRADED INTERNATIONALLY. COPPER MARKETS ARE HIGHLY UNSTABLE. CONSUMERS RETAIN LIMITED OFFICIAL USE

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SUBSTANTIAL MARKET POWER THROUGH THE SUBSTANTIAL ROLE (UP TO 40 PERCENT) COPPER SCRAP PLAYS IN THE PRODUCTION OF NEW SMELTED COPPER, AND THIS SHOULD BE ABLE TO AVOID CARTELIZATION.

-- IN NO CASE SHOULD A COMMODITY ARRANGEMENT AID AT MORE THAN STABILIZING PRICE SWINGS AROUND A LONG-TERM TREND. NOR SHOULD IT ATTEMPT TO FIX PRICES. RATHER, IT SHOULD WORK TO ENCOURAGE A BETTER UNDERLYING BALANCE OF DEMAND AND SUPPLY MOST TYPICALLY THROUGH A BUFFER STOCK.

-- BUFFER STOCKS ARE ESSENTIALLY A MEANS OF SERVICING PEAK DEMAND WITHOUT PEAK CAPACITY, AND OF KEEPING CAPACITY WORKING IN THE TROUGHS. AS SUCH, IT IS NATURAL THAT PRODUCERS FUND THEIR CREATION, FINANCING AS NECESSARY THROUGH THE IMF FACILITIES ESTABLISHED FOR THIS PURPOSE. THE FUND'S FACILITIES OUGHT TO BE LIBERALIZED FOR THIS PURPOSE.

-- IN EVERY CASE, COOPERATIVE EFFORTS BETWEEN CONSUMERS AND PRODUCERS WILL BE REQUIRED. THE UNITED STATES DOES NOT BELIEVE THAT PRODUCER-ONLY GROUPINGS CAN SOLVE COMMODITY PROBLEMS.

6. THIRD, TRADING ARRANGEMENTS FOR COMMODITIES. SOME RAW MATERIALS, PARTICULARLY THOSE WHICH THE DEVELOPING COUNTRIES MAY WISH TO PROCESS INTO FINISHED GOODS, WILL LEND THEMSELVES TO CONSIDERATION WITHIN THE GATT.

WE ARE THUS PROPOSING THAT NEW ARRANGEMENTS FOR BOTH ACCESS TO SUPPLIES AND ACCESS TO MARKETS FOR COMMODITIES BE NEGOTIATED IN THE MULTILATERAL TRADE NEGOTIATIONS

IN GENEVA.

ACCESS TO SUPPLIES SHOULD MEAN COUNTRIES AGREE TO REFRAIN FROM IMPOSING BARRIERS, SUCH AS EXPORT TAXES, TAXES HAVING AN EQUIVALENT EFFECT, AND EMBARGOES, TO PURCHASE THEIR EXPORTS. THERE, OF COURSE, MUST BE CERTAIN EXCEPTIONS, INCLUDING NATIONAL SECURITY CASES, AND TEMPORARY TRADE PROBLEMS. BUT A COUNTRY INVOKING TRADE PROBLEMS WOULD BE OBLIGATED TO REGULARIZE THEM IN MUCH THE SAME WAY COUNTRIES IMPOSING IMPORT RESTRICTIONS MUST DO. THE UNDERLYING OBLIGATION WOULD BE BOUND IN GATT MUCH AS TARIFF CONCESSIONS ARE.
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WE RECOGNIZE THAT NO COUNTRY WILL GIVE AN ACROSS-THE-BOARD COMMITMENT TO ALLOW SUPPLY ACCESS. THE NATURE OF SUCH OBLIGATION CAN BE SPELLED OUT IN A GENERAL DOCUMENT (I.E., THEY SHOULD BE NON-DISCRIMINATORY, SHOULD BE SUBJECT TO AN ESTABLISHED PROCESS OF REDRESS IF BROKEN, ETC.). BUT CLEARLY MOST SUCH UNDERTAKINGS WOULD BE SOUGHT AND GIVEN IN THE CONTEXT OF SECTOR NEGOTIATIONS, WHERE THE QUID-PRO-QUO WOULD BE BINDINGS ON MARKET ACCESS FOR THE RAW MATERIAL ITSELF, AND REDUCTION OR ELIMINATION OF TARIFFS ON GOODS PROCESSED FROM IT. SO-CALLED "TARIFF ESCALATION" -- WHERE THE PROCESSED GOOD IS DUTIABLE AT A RATE MUCH HIGHER THAN THE RAW MATERIAL ITSELF, CAN BE A SIGNIFICANT BARRIER TO INDUSTRIALIZATION.

7. FOURTH, EARNINGS STABILIZATION: COMMODITY CYCLES ARE

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OF VARYING, OFTEN UNCERTAIN, LENGTH. IN MANY CASES, IT WILL BE NEITHER POSSIBLE NOR DESIRABLE TO REACH AGREEMENTS TO STABILIZE PRICES. THERE MUST BE OTHER MECHANISMS, BY WHICH DEVELOPING COUNTRIES CAN SMOOTH OUT THEIR INCOME, BORROWING WHEN THEIR RECEIPTS ARE DOWN, REPAYING WHEN THEY ARE UP.

VARIOUS MECHANISMS EXIST ALREADY. IN THE IMF, DEVELOPING COUNTRIES CAN OBTAIN COMPENSATORY FINANCE FOR EXPORT EARNINGS SHORTFALLS, AT 3 TO 5-YEAR TERMS AND STANDARD (THAT IS TO SAY, MODERATE) IMF INTEREST RATES. THE FACILITY HAS BEEN USED IN RECENT YEARS, BUT THE TOTAL FINANCING UNDER IT HAS BEEN ONLY ABOUT \$ XX MILLION A YEAR.

AT THE INTERIM COMMITTEE MEETING OF THE IMF THIS WEEK IN PARIS, THE UNITED STATES PROPOSED A SUBSTANTIAL LIBERALIZATION OF THIS FACILITY. UNDER OUR PROPOSAL, NOT ONLY EXPORT SHORTFALLS, BUT A CHANGE IN A COUNTRY'S PAYMENT POSITION DUE TO INCREASES IN IMPORT PRICES, WOULD QUALIFY FOR COMPENSATORY FINANCE. THIS WOULD MEAN THAT FOR THE FIRST TIME THE FUND WOULD FINANCE DETERIORATION IN THE REAL PURCHASING POWER OF COMMODITY EXPORTS. IN ADDITION, INDIVIDUAL COUNTRY BORROWING LIMITS WOULD BE RAISED. THE PROPOSAL, WHICH WE EXPECT THE IMF TO ADOPT, WOULD PROVIDE SUBSTANTIAL PROTECTION TO DEVELOPING COUNTRIES AGAINST COMMODITY EARNINGS FLUCTUATIONS.

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8. FIFTH, COORDINATION OF CONSUMER POSITIONS: THE POSITION OF CONSUMERS IS VERY DIVERSE. THE UNITED STATES IMPORTS ONLY 15 PERCENT OF ITS RAW MATERIAL REQUIREMENTS, ONLY THREE PERCENT FROM DEVELOPING COUNTRIES. EUROPE IMPORTS ABOUT 75 PERCENT; JAPAN ABOUT 90 PERCENT. GEOGRAPHICAL ORIGIN VARIES ENORMOUSLY.

YET, THERE ARE MAJOR SHARED INTERESTS. WE ALL HAVE A STAKE IN MAINTENANCE OF OPEN, EFFICIENT COMMODITY MARKETS. WE HAVE A STAKE IN THE AVOIDANCE OF VAST, POLITICAL CONFRONTATIONS OVER RESOURCES. AT A TIME WHEN

THE DEVELOPING COUNTRIES ARE ORGANIZING TO ADVANCE THEIR VIEWS, SO MUST THE INDUSTRIAL COUNTRIES.

THAT WAS THE MEANING OF THE DECISION OF THE OECD MINISTERS, WHEN THEY CREATED LAST MONTH A NEW HIGH-LEVEL GROUP ON COMMODITIES (JULES: TITLE?). WE INTEND TO USE THIS GROUP TO DEVELOP AND COORDINATE OUR POSITION ON RESOURCES. THIS DOES NOT MEAN THAT THE CONSUMERS SHOULD HAVE IDENTICAL POSITIONS ON THE ISSUES. IT DOES MEAN THAT WE SHOULD HARMONIZE OUR VIEWS SO AS TO BE ABLE TO RESPOND EFFECTIVELY TO THE TACTICS AND DEMANDS OF THE DEVELOPING COUNTRIES.

9. SIXTH, DEVELOPMENT OF A NEW PRODUCER/CONSUMER FORUM ON COMMODITIES: WE WILL NEED A BROAD SURFACE OF CONTACT WITH THE DEVELOPING COUNTRIES ON THESE QUESTIONS. MOST OF THE REQUIRED INSTITUTIONS ARE ALREADY IN PLACE: INDIVIDUAL COMMODITY STUDY GROUPS, SOME COMMODITY ARRANGEMENTS, THE IMF DEVELOPMENT COMMITTEE, UNCTAD, THE UNITED NATIONS SPECIAL SESSION.

YET, NONE OF THESE APPEAR TO FULFILL THE REQUIREMENT FOR A HIGH-LEVEL POLICY BODY, IN WHICH THE KEY ISSUES CAN BE

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ADDRESSED, AND IN WHICH COMMODITY WORK CAN BE MONITORED AND ORIENTED. IT IS FOR THIS REASON THAT SECRETARY

KISSINGER PROPOSED ON MAY 27 CREATION OF A COMMISSION ON RAW MATERIALS OF LIMITED MEMBERSHIP. THE COMMISSION WOULD BE THE PLACE WHERE SUCH ISSUES AS INDEXATION, WHICH WE BELIEVE TO BE MISTAKEN BUT WHICH MANY DEVELOPING COUNTRIES CONSIDER A FUNDAMENTAL NEED, COULD BE DISCUSSED AND ANALYZED. WE, IN TURN, WOULD PRESENT OUR COMMODITY PHILOSOPHY AND PROPOSALS. THE COMMISSION WOULD MEET WITHOUT FIXED DEADLINE, BUT WITH URGENCY. WE THINK IT WOULD GO FAR TOWARDS CLARIFYING THE ISSUES ON COMMODITIES AND STIMULATING THE SEARCH FOR THEIR SOLUTION.

10. SEVENTH, CONSUMER PROTECTION FROM CARTEL ACTION: ANALYSIS SUGGESTS THAT THE POSSIBILITIES FOR CARTEL ACTION OUTSIDE OF OIL ARE LIMITED. WE HAVE ALREADY SEEN A "TAX LEADERSHIP" EFFORT BY CARIBBEAN BAUXITE PRODUCERS; SOME SCOPE FOR SIMILAR EFFORTS MAY EXIST IN OTHER COMMODITIES, BUT THIS LIST IS SHORT, AND THE POTENTIAL FOR COLLUSIVE ACTION IS LIMITED, OUTSIDE OF OIL.

BUT HOWEVER LIMITED THE SCOPE NOW APPEARS, WE MUST BE READY FOR SUCH ACTION. IN COMMODITIES POTENTIALLY SUBJECT TO CARTEL OR QUASI-CARTEL ACTION, CONSUMERS SHOULD ESTABLISH ECONOMIC STOCKPILES, WHICH COULD BE DRAWN UPON DEFENSIVELY IN CASES OF ARBITRARY PRICE INCREASES.
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IDEALLY, THE BUILD-UP, MANAGEMENT AND RELEASE OF THESE STOCKS WOULD BE COORDINATED AMONG THOSE INDUSTRIAL COUNTRIES THAT DECIDE TO CREATE THEM.

BAUXITE, PERHAPS PLATINUM METALS AND CHROME (JULES: A DIFFERENT LIST?) ARE THE MOST LIKELY COMMODITIES TO STORE, AT PRESENT. INITIAL OUTLAYS AND CARRYING CHARGES WOULD BE SUBSTANTIAL. B-T IT WOULD BE EASY IN EACH CASE TO CALCULATE THE POINT BEYOND WHICH THE POTENTIAL LOSS OUT-STRIPS THE COSTS, AND AN ECONOMIC STOCKPILE BECOMES VIABLE. . . .

WILL WRITE CONCLUSION ON PLANE.
KATZ

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